

Message Text

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13

ACTION EUR-25

INFO OCT-01 IO-14 ISO-00 SWF-02 AID-20 CEA-02 CIAE-00

COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01 CIEP-02

SP-03 STR-08 TRSE-00 LAB-06 SIL-01 SAM-01 OMB-01

DODE-00 PM-07 H-03 L-03 NSC-07 PA-04 PRS-01 SS-20

USIA-15 AGR-20 SAJ-01 DRC-01 /192 W

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R 021843Z MAY 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC 2212

INFO AMEMBASSY LONDON

AMEMBASSY THE HAGUE

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION GENEVA

USMISSION OECD PARIS

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C O R R E C T E D C O P Y

E.O. 11652: N/A

TAGS: ETRD, EEC, IT, GW

SUBJECT: GERMAN REACTION TO ITALIAN IMPORT MEASURES

REF: EC BRUSSELS 2613, ROME 5976

1. THE GERMAN GOVERNMENT IS GREATLY CONCERNED ABOUT
THE RECENT ITALIAN DECISION IMPOSING IMPORT
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RESTRICTIONS. CHANCELLOR BRANDT CHARACTERIZED THE

ACTION AS "VERY DANGEROUS" AND NOTED THAT IT SETS A BAD EXAMPLE WHICH OTHERS BOTH WITHIN AND OUTSIDE THE COMMUNITY MIGHT FOLLOW. A SOCIAL DEMOCRATIC PARTY SPOKESMAN CRITICIZED THE MEASURE STATING THAT ITALY'S PROBLEMS DO NOT STEM FROM FOREIGN ECONOMIC INFLUENCE BUT RATHER FROM INTERNAL INFLATIONARY POLICIES. THE OPPOSITION CHRISTIAN DEMOCRATIC UNION PARLIAMENTARY FACTION CHARACTERIZED THE ACTION AS CONTRARY TO THE TERMS OF THE TREATY OF ROME.

2. OUR FOREIGN OFFICE CONTACTS TELL US THAT THEY VIEW THE ITALIAN MEASURES AS A STRONG BLOW TO THE EC IN THAT THEY STRIKE AT THE HEART OF THE COMMUNITY. THEY NOTE THAT ALTHOUGH THIS IS NOT THE FIRST CASE OF A MEMBER COUNTRY RESORTING TO THE TERMS OF ARTICLE 109 TO LIMIT INTRA-COMMUNITY IMPORTS, THE PREVIOUS CASE OF FRANCE IN 1968 STEMMED FROM TEMPORARY POLITICAL DIFFICULTIES AND IT WAS GENERALLY RECOGNIZED THAT FRANCE'S ACTION WAS ONLY TEMPORARY AND WOULD HAVE NO LASTING REPERCUSSIONS. IN CONTRAST THEY ARGUE THAT THE ITALIAN ACTION STEMMED FROM DEEP SET STRUCTURAL DIFFICULTIES IN THE ITALIAN ECONOMY WHICH ARE NOT TEMPORARY AND THEREFORE THEY ARE NOT OPTIMISTIC THAT THE ITALIAN MEASURES WILL BE TEMPORARY EITHER. THEY CONSIDER THIS STEP AT LEAST AS A SERIOUS THREAT TO THE CONTINUED FUNCTIONING OF THE COMMUNITY IN ITS PRESENT FORM AS THE UK DEMAND FOR RENEGOTIATION OF ITS TERMS OF ENTRY.

3. OUR SOURCES REPORT THAT THE FRG IS NOW CONSIDERING WHAT ACTIONS THE COMMUNITY MIGHT TAKE TO DEAL WITH ITALY'S BASIC ECONOMIC PROBLEMS. THEY ARGUE THAT IN THE LONG TERM ECONOMIC AND MONETARY UNION IS THE ONLY FEASIBLE ALTERNATIVE IF THE INTEGRITY OF THE COMMUNITY IS TO BE PRESERVED. THEY ALSO ARGUE THAT A REGIONAL FUND COULD MAKE A SUBSTANTIAL CONTRIBUTION TO SOLVING ITALY'S PROBLEMS. IN THE WAY OF MORE IMMEDIATE MEASURES, THEY NOTE THAT ITALY HAS THE OPTION OF DRAWING UP TO 2.4 BILLION UNITS OF ACCOUNT FROM THE EC MEDIUM TERM FUND AND THEY EXPECT THIS LIMITED OFFICIAL USE

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TOPIC WILL BE DISCUSSED AT NEXT WEEK'S COUNCIL MEETING. OUR ECONOMIC MINISTRY SOURCES SAY THAT IT IS TOO SOON FOR A SERIOUS DISCUSSION OF ITALY'S ACTIONS IN THE GATT SINCE THE FRG STILL DOES NOT HAVE THE DETAILS OF THE ITALIAN DECISION. THEY DO NOT OPPOSE THE COUNCIL MEETING, HOWEVER, AND WILL SUPPORT THE FORMATION OF A WORKING PARTY TO EXAMINE THE ITALIAN MEASURES.

4. IT IS NOT YET CLEAR WHO WILL ATTEND NEXT WEEK'S COUNCIL MEETING. AGRICULTURAL MINISTER ERTL ANNOUNCED THAT HE WILL ATTEND ALTHOUGH OUR SOURCES STATE THAT THIS DECISION HAS NOT YET BEEN MADE. FINANCE MINISTER SCHMIDT HAS STATED THAT THE FINANCE MINISTERS SHOULD ATTEND. THERE IS ALSO SOME PRESSURE WITHIN THE GOVERNMENT TO HAVE ECONOMICS MINISTER FRIDERICH'S ATTEND IN VIEW OF THE IMPORTANCE OF THE DECISIONS TO BE TAKEN.
HILLENBRAND

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